



Addressing the General Fund Structural Deficit

Mayor and Council
May 11, 2010

What is a Structural Deficit?

A projected year-to-year recurrence of expenditures exceeding revenues

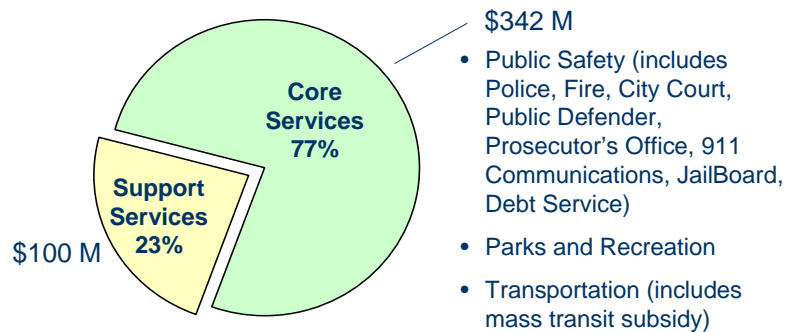
Because of economic conditions, the structural deficit in the City's General Fund is expected to remain at \$33-\$40 million (approx. 10%) per year for the next several years

Global Recession: Local Impacts

	<u>2006</u>	<u>2009</u>
• Residential Permits	2,861	656
• Foreclosures (Pima County)	3,469	18,010
	<u>FY 2007</u>	<u>Est'd. FY 2010</u>
• Unemployment	4.5%	9.1%
• Local sales tax	\$202.3M	\$159.0M
• Transient occupancy (bed) tax	\$10.9M	\$7.9M

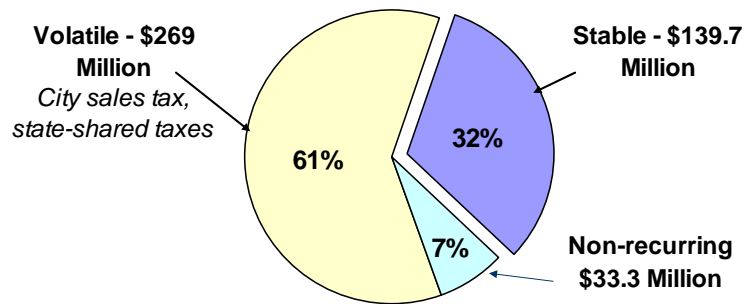
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Fiscal Year 2011 General Fund Expenditures Recommended \$442 Million



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FY 2011 General Fund Revenues Recommended \$442 Million



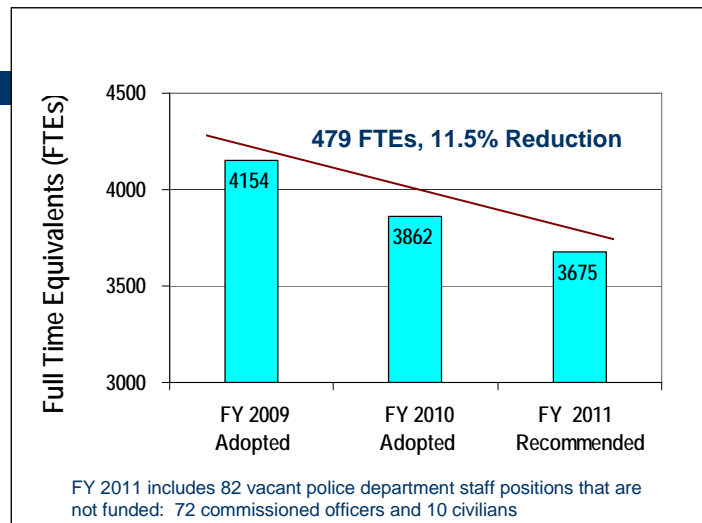
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The Structural Deficit Remains Despite Expenditure Reductions Already Made FY2009-11

- Employee Layoffs and Reduced Compensation (furlough days; increased public safety pension contribution; increased medical premium costs)
- Suspension of street paving; Reduced roadway maintenance (i.e. potholes)
- Debt restructuring
- Suspension of Back to Basics and Youth funding
- Closure of 17 Swimming Pools in Winter; Decrease in Leisure Classes and Elimination of Teens Program and Most Adult Sports Programs
- Reduction in neighborhood center hours; Closure of Ormsby Neighborhood Center
- Reduced Prosecution of Graffiti, Prostitution, Criminal Nuisance
- Deferred Infrastructure Replacement and Maintenance Streets, Facilities, Vehicles, Equipment, and Technology
- Reduction in Outside Agencies Funding
- Reduced Neighborhood Mailings and Support

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The Structural Deficit Remains Despite Significant Staffing Cuts



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Not Enough “Permanent Solutions” Have Been Implemented to Address the Structural Deficit

Non-Permanent Solutions

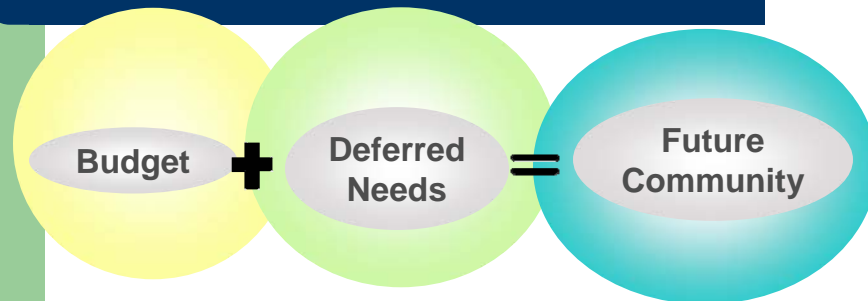
- Debt restructuring
- Sale and asset leaseback financing
- Employee furloughs
- Deferred maintenance and investment
- Service suspension (street paving, closing facilities, cutting hours, etc.)

Permanent Solutions

- Increased fees and taxes
- Service cutbacks and elimination
- Efficiency improvements
- Layoffs

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Deferring Maintenance and Investment is Not the Answer



Continuing to address the structural deficit by putting off investment in and maintenance of our infrastructure imposes this burden on future generations and threatens our community's quality of life

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How Do We Address the Structural Deficit?

- Permanent Cuts to Core Services
OR
- New Recurring Revenues
OR
- A Combination of Both

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Consideration of a Core Tax

- The sales tax is the City's only available broad-based taxing mechanism that could generate enough revenue to address the structural deficit
- Without an increase in sales tax, permanent cuts to Core Services are needed in order to "right-size" the organization to match current revenues

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Core Tax Example Scenarios

	1. Further Cut City Services	2. Mix of Service Cuts & New Revenues	3. Maintain Status Quo Services	4. Enhanced Services
Sales Tax Increase	No increase	1/4 cent	1/2 cent	1 cent
\$ Impact	\$40 million in service cuts	\$20 million in service cuts/\$20 million in sales tax revenue	\$40 million to maintain current service levels	\$40 million to maintain current service levels and \$40 million to provide enhanced Core Services and address deferred needs
Service Impacts	Eliminate 477 FTEs in Core Services; 138 FTEs in Support/Other Services; Increased public safety response times, fire station & rec center closures, greatly reduced park maintenance; Reduced financial, budget, technology, procurement, and HR capabilities, reduction or elimination of prevention and education programs	Eliminate 239 FTEs in Core Services; 69 FTEs in Support/Other Services; Similar type of service cuts to previous but less severe	Core Services will be maintained at current levels; over time additional revenue will be dedicated to increase Core Service levels	Unmet service needs in Public Safety, Transportation, and Parks and Recreation would be addressed

What do Tucson Residents Prefer?

- Community Dialogues held last fall: preserve Core Services; participants would consider paying more for these services but would prefer efficiency improvements first
- November sales tax ballot measure would allow voters to decide
- Citizen Advisory Task Force could advise on how to structure ballot measure

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Citizen Advisory Task Force

- Potential ballot language and tax increase amount
- How sales tax revenues would be programmed based on a successful ballot measure
- “Plan B” options if a ballot measure is not successful
- Consideration of placing a permanent expenditure base adjustment on the ballot

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Proposed Next Steps

Date	Task
May 18, 2010	City Council approves co-chair recommendations by the Mayor and Vice Mayor
May 25, 2010	City Council approves recommendation of up to 15-member task force and meeting timeline
June 1 - 29, 2010	Task Force Meetings
July 7, 2010	City Council consideration of placing sales tax increase on November ballot
November 2, 2010	Election